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The political economy of financial deregulation and the reorganization of housing finance in the United States

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Housing finance provides telling insights into the political economy of any advanced industrial economy. It is integral to the performance of capital markets, reflective of the role of the state in the economy and illustrative of the priority placed on producing affordable housing. In most advanced industrial countries, the allocation of housing credit is given special status and is explicitly coordinated. In these nations, the state makes significant direct investments in housing, provides partial regulation of credit flows, and in some cases, like France and Japan, sets up special funds for housing credit, or in others, like Sweden, is involved in the targeting of capital to particular sectors (McQuire, 1981). Recent developments in the United States stand in sharp contrast to these comparative trends.

The past few years have witnessed a virtual revolution in the way housing is financed in the United States. Gone is the insulated system of thrifts whose special job was to collect savings and issue mortgages. Gone too are the institutional foundations of this system – the passbook account and the fixed rate mortgage. Housing finance has recently been transformed from a relatively sheltered system to a fully integrated component of domestic financial markets. This transformation is inextricably bound up with the broader trend toward deregulation and the sweeping reorganization of the US financial system that it entails. Mortgage lending in this new financial environment is the province of a shrinking group of large financial firms. These firms compete for funds in domestic and international markets, issue adjustable rate mortgages and sell these mortgages like securities on the secondary mortgage market. In the near future, there will be very few, if any, distinct housing finance institutions.

Not surprisingly then, the reorganization of the housing finance system has become the focus of considerable controversy. A host of analysts have examined the potential impacts that deregulation portends for housing investment (Hendershott and Villani, 1983; Tuccillo, 1984). Yet very little has been done to document the causes of such a drastic reorientation in policy. And, while economists have looked at the roles played by inflation and technology in spurring the demise of the old housing finance system (Kane, 1981; Carron, 1983a) there has been no attempt to systematically link such trends to concrete patterns of political action and policy formation. More problematic is the implicit bias that prevades this work. It implies that government initiatives derive from a basic commitment for ameliorating social and economic ills and that such efforts fail only because of inadequate planning, bungled administration, lack of money or some combination thereof. Preoccupied with the nebulous aims of government, such an approach neither reflects nor explains the realities of business influence over American politics (Marcuse, 1978; 1980).

The research presented herein confronts such problems head on. Where policy comes from, how it functions and why are the questions it addresses. Building upon recent work on industrial structure and public policy, it probes the links among economic structure, the organization of the financial industry and business influence over deregulatory policy (Kurth, 1979; Ferguson, 1983). It thus focuses on the political-economic determinants of financial deregulation and the attendant restructuring of housing finance.

This essay proceeds as follows. The first section examines the basic contours of the New Deal financial system. The second section outlines the collapse of this framework under the twin pressures of increased domestic and international financial competition. The fourth section presents a detailed analysis of the new financial regulation. The fifth section then turns to the reorganization of the housing finance system and its impacts on housing investment, production and affordability. A summary of key points is presented in the concluding section.

I The New Deal system of financial regulation

The old housing finance system was part and parcel of the financial structure established during the New Deal. Basically, these far-reaching financial reforms – including the Glass Steagall Act, the Securities and Exchange Act, the Banking Act of 1935, and the Federal Home Loan Bank Act – functioned to erect regulatory barriers between the various segments of the financial industry and to bring the different types of institutions under the umbrella of specific regulatory bodies (Ferguson, 1984; Romascu, 1983; Carron, 1983a). Under the Glass Steagall Act, investment and commercial banking were completely separated. Commercial banks were allowed to offer checking accounts as well as to make commercial loans but were prohibited from interstate operations. Banks were not allowed to offer insurance or to trade corporate securities, and ceilings were placed on the amount of interest they could pay depositors. The Securities and Exchange Act established a separate regulatory framework for the securities and investment banking industries. Securities dealers were allowed to operate across state lines, but were foreclosed from accepting deposits or making loans. The Federal Home Loan Bank Act and the Federal Savings and Loan Insurance Corporation (FSLIC) set up distinct regulatory and insurance systems for thrifts. These institutions were not allowed to offer checking accounts; and their activities, like those of commercial banks, were limited to one state. Thrifts were legally required to invest in housing and were granted generous tax advantages in order to do so.

As a consequence, the thrift industry became virtually synonomous with housing finance. Savings deposits served as the basic source of mortgage credit and these were clearly distinguished from more volatile flows of funds in the capital markets. The basic function of this insulated housing finance system was to accumulate capital from these deposits and to plow that capital back into the economy as housing credit. The advent of government mortgage insurance under the Federal Housing Administration (FHA) and the Veterans' Administration (VA) brought the next major component to the system – the low down-payment, long term, fixed rate, self-amortizing loan (Semer, 1976). This became the basic vehicle for channelling housing credit to consumers. Later, a limited secondary market where mortgages could be sold was set up under the Federal National Mortgage Association (FNMA) to offer some liquidity (Starr, 1975). Simply put, small thrifts operating in local markets issued mortgages and collected payments as portfolio lenders; new loans were made from repayments and incoming deposits.

For a time, this system worked exceedingly well. By defraying the costs of ownership, it ushered in the suburban building boom of the 1950s and 1960s. Throughout this period, only minor cyclical fluctuations in housing production and investment were evident (Guttentag, 1961). The housing stock expanded substantially as more than 21 million new homes were added to the inventory. Home ownership soared to over 60%.

II Early deregulation initiatives

Ironically, it was the tremendous success of the New Deal housing finance system which helped to create the impetus for deregulation. Housing finance became extremely profitable in the years immediately following the war because of the sizeable spread between mortgage and deposit interest rates. During this period, the thrifts grew at a phenomenal pace – increasing their market share from less than one fifth to almost half of all savings deposits (Hendershott and Villani, 1977). Unencumbered by ceilings on deposit interest rates, the thrifts were expanding at the expense of regulated commercial banks who had seen their share of the market for savings deposits shrink from 48% to 38%. By the mid-1950s this system of specialized mortgage lending institutions had indeed become a second 'banking' system – controlling a huge pool of resources and under the jurisdiction of its own central bank.

1 *The Commission on Money and Credit*

Around the same time, pressures for deregulation began to surface. As the commercial bank share of the savings deposit market eroded, the representatives of a number of big banks started pressing for a government sponsored review of financial policy. The forum for this early deregulation movement quickly became the influential Committee for Economic Development (CED)[1], which proposed that a commission of high-level financial executives be empowered to develop new legislation. While this proposal received the backing of the Eisenhower administration, the Treasury department and the Federal Reserve Board, it met with vigorous opposition in the Congress – especially the House of Representatives – where thrifts, real estate interests and small banks possessed considerable clout. Facing such a dilemma, bankers and financial executives from the CED established the privately-funded Commission on Money and Credit (CMC) and initiated their own study of financial regulation.

In early 1958, the CMC began its operations with a membership roster that read like a who's who of financial industry elites: including Frazer Wilde of Connecticut General Life, David Rockefeller of Chase Manhattan, Gaylord Freeman of the First National Bank of Chicago, Joseph Tapp of Bank America, J. Cameron Thomson of Northwest Bank Corporation and Joseph Dodge of Detroit Bank and Trust among other high corporate figures.[2] The Commission's report, published in 1961, made the case for deregulation (Aliber, 1972; Schriftgeisser, 1974). Its specific recommendations included the following:

1) Elimination of the prevailing ceilings limiting the interest payable on time and savings deposits;
2) Expansion of thrift operations to include real estate related consumer lending as well as mortgage finance;
3) Liberalization of restrictions on interstate branching by banks and thrifts;
4) Equalization of tax and reserve treatment for financial institutions;
5) Elimination of interest rate ceilings on government insured mortgages;
6) Transfer of federally subsidized secondary mortgage market operations to the private sector;
7) Consolidation of the prevailing network of regulatory agencies.

Taken together, these recommendations stipulated nothing less than the total dismantling of the New Deal regulatory framework. Designed to bolster the position of large commercial banks *vis à vis* small banks and thrifts, they would serve to define the agenda of deregulatory policy for the next 20 years.

[1] For more on the CED and its relationship to financial deregulation see, Florida (1985) which contains a detailed discussion with further citations.

[2] Other prominent members of the CMC included: Earl Scwulst (Bowery Savings Bank), Marriner Eccles the famous New Dealer (First Security Corporation), James Black (Pacific Gas and Electric), J. Irwin Miller (Cummins Engine Company), Fred Lazarus Jr (Federated Department Stores), Theodore Yntema (Ford), Beardsley Ruml, and H. Christian Sonne (New York investment banker and President of the National Planning Association) along with 10 additional members drawn from business, labour and academia. The research staff of the CMC was directed by Bertrand Fox of the Harvard Business School and Eli Shapiro of MIT; its advisory board included prominent economists such as Paul Samuelson, Raymond Goldsmith and Richard Musgrave among others, as well as noted bankers Alan Temple (Citibank) and Gaylord Freeman. Further discussion is contained in Florida (1985; 1986a).

2 *The credit crunch of 1966 and the Friend study*

The credit crunch of 1966 brought a sharp jolt to the New Deal system. As interest rates climbed, funds were rapidly transferred out of savings deposits to higher yielding investments like the commercial bank 'certificates of deposit' (CDs) introduced by Citibank in 1961. This process, referred to as disintermediation, significantly reduced the pool of available housing credit and curtailed new mortgage lending (Stone, 1978). Until this time, the thrifts had been arbitrarily able to raise rates on savings deposits subject only to FHLBB approval. In the aftermath of the 1966 debacle, these institutions were brought under the same regulatory framework which established rate ceilings for banks. Additionally, in 1967, the federal government commissioned a fullscale study of the housing finance system, known as the Friend study. Although it recommended retaining a specialized system of mortgage lending institutions, the Friend study reinforced the major deregulatory proposals of the CMC – namely, the elimination of ceilings on savings deposits and the diversification of thrifts into banking activities (Friend, 1969).[3]

3 *The Hunt Commission and the Financial Institutions Acts*

The thrift industry experienced another serious disintermediation crisis during the recession of 1969–70. Shortly thereafter, the Nixon administration launched the Commission on Financial Structure and Regulation (or Hunt Commission) to provide the background for new banking legislation. This reflected the concerns Treasury Secretary David Kennedy of Continental Illinois and his assistants – Charles Walker, a past official of the American Bankers Association and Paul Voker, a former vicepresident of Chase Manhattan Bank. From the outset, the Hunt Commission was dominated by financial executives, some with close links to the CED and its Commission on Money and Credit (CMC). The Chairman of the Commission, Reed Hunt of Crown Zellerbach, was the successor to James David Zellerbach who headed the CED from 1955-57. Other members included financial industry executives such as: Donald MacNaughton of Prudential, William Morton of American Express, Ellmore Paterson of Morgan Guaranty and Walter Holmes of CIT Financial Services.[4]

The Commission's report reflected the same basic concerns as the CMC. It pointed to the regulatory partitions of the New Deal system as the crux of financial

[3] The politics of the Friend study are detailed in Florida (1985a; 1986).

[4] Other financial elites on the Hunt Commission included: Kenneth Randall (United Virginia Bankshares), Rex Morthland (People's Bank and Trust), Morgan Earnest (Businessmen's Assurance Company), Robert Stuart (First National Bank of Dallas), Morris Crawford (Bowery Savings Bank), J. Howard Edgerton (California Federal Savings) and Robert Gilbert (Citizen's Savings). Rounding out the membership were industrialists like Altherton Bean (International Multifoods), and Edward Malone (General Electric), along with a number of academic economists and labour leader Lane Kirkland – who was the only Hunt Commission member to issue a dissent from the final report. See, Jones (1979), Jacobs and Phillips (1983), and Florida (1985) for further information.

ills and recommended wholesale deregulation (Jacobs and Phillips, 1983). Alongside the elimination of ceilings on deposit rates and of geographic and product line restrictions on financial institutions, it called for the establishment of a mortgage interest tax credit (MITC) designed to channel capital to the housing sector.[5] Even so, the Hunt report was vehemently opposed by the real estate lobby, the bulk of the thrift industry, and a variety of other financial firms – who preferred the safety of regulatory partitions to unbridled competition with much larger banks.

The Hunt Commission paved the way for the development of two major deregulatory bills, the Financial Institutions Acts of 1973 and 1975 (Jones, 1979). While both of these bills received the backing of the administration and made substantial progress in the Senate, considerable opposition eventually surfaced in the House. Indeed, the House Banking Committee refused to act on either of these bills and embarked instead on its own study of the financial industry.[6] This inquiry, referred to as the Financial Institutions in the Nation's Economy (or FINE) study resulted in the development of yet another financial bill, the Financial Reform Act of 1976 (Pierce, 1977; Hester, 1977). In lieu of a detailed discussion of its provisions, suffice it to say that this bill was sufficiently different from the earlier bills to provoke the widespread opposition of large banks.[7]

By the mid-1970s then, a virtual stalemate characterized the development of

[5] The mortgage interest tax credit (MITC) was designed to replace the old tax advantages held by thrifts – which essentially enabled them to calculate their reserves as bad debts and to deduct them before determining income taxes – with a graduated tax credit on mortgages held in portfolio. See Jones (1979).

[6] The Financial Institutions Acts of 1973 and 1975 were drafted by the Treasury department based on the recommendations of the Hunt Commission. In September 1973, the Treasury issued its 'Recommendations for change in the financial system' (US Treasury, 1974), which laid the groundwork for these bills. Its provisions included a five year phase out of deposit ceilings, significant thrift diversification, equal tax/reserve treatment for depository institutions and establishment of an MITC. Detailed discussions of the politics of FIA 1973 and 1975 are contained in Florida (1985).

[7] FINE was an enormous project, encompassing issues that ran the gamut from the supervision of international banks, to the operation of the Federal Reserve and domestic financial regulation. Indeed. representatives of a number of banks have contended that FINE was designed to slow down the process for developing deregulatory legislation. Although the validity of this point is certainly open for debate, it should be noted that the major proponent of the FINE study, Rep. Wright Patman, was a long time enemy of large banks and opponent of financial deregulation. It should also be noted that Patman's motives were not entirely altruistic. A detailed study of Congress and financial institutions, points to Patman's close relationship with the thrift industry. According to Patman himself 'The savings and loans are the underdogs of the financial world, the commercial banks are brutal to them' (Salamon, 1975). Data on business contributions to Patman reinforce this point. Of the $8600 in PAC contributions to him in 1980, $7000 came from saving and loan associations and credit unions; the rest came from a variety of real estate and construction organizations. He received just $500 from the trade association of small banks, the Independent Bankers Association of America. In sharp contrast to most other members of his influential committee, he obtained nothing from the trade associations of the big banks.

financial policy. The deregulation agenda of big commercial banks was clearly supported at the highest levels of American politics. Yet, the House – and especially its influential Banking Committee – had become a formidable lever for the small financial firms and real estate interests opposed to deregulation.

III The breakdown of the New Deal financial system

The latter half of the 1970s was a period of dramatic evolution in the financial markets. Steady recovery from the 1974–75 recession temporarily eased economic and political tensions in the financial industry. This upswing also helped to fuel a boom in the housing market. From a low of 1.1 million units in 1975, housing starts rebounded to more than 2 million units in 1978. The financial condition of the thrift industry improved markedly.

As the decade came to a close, however, economic difficulties began to reassert themselves. Spiralling inflation injected a strong competitive dynamic into the financial system. Rising rates made depositors more conscious of the spread among various types of investments and increasingly apt to move their funds to areas offering the highest rates of return. Hoping to forestall another disintermediation crisis, the FHLBB introduced a series of rate sensitive deposit instruments, designed to attract funds to the thrift industry (Loeys, 1983). These were of little consequence. Throughout the late 1970s, the assets commanded by the money market mutual funds offered by brokerage houses, insurance companies and industrial concerns continued to grow at the expense of both banks and thrifts. By 1980, the assets controlled by these funds hit $200 billion; the largest single fund, Merrill Lynch, had assets roughly comparable to Manufacturers Hanover, one of the biggest commercial banks (Kaufman *et al.*, 1983).

Competition for loans escalated as well. During the late 1970s, the financial service divisions of large industrial concerns, like GM, Ford and GE, began making serious inroads on the consumer lending business. Between 1977 and 1981, the share of car loans issued by the major automakers increased from 21% to 32%, while those granted by banks fell from 60% to 47%. The direct lending of corporate funds on the commercial paper market (which reached $47 billion in 1981) also became a sizable drain on commercial bank business. Around the same time, foreign banks started to capture a significant share of the US loan market. In 1972, there were just 104 foreign bank offices in the US with about $25 billion in assets. By 1980, there were 340 foreign bank offices with over $170 billion in assets. This was a sixfold increase compared to a 40% increase for American banks (Moffitt, 1983). Over the course of the decade, foreign banks increased their share of the US lending market from 5 to 10%.

1 *Financial innovation and regulatory collapse*

The economic seeds of a fullscale regulatory collapse were thus sown. Large financial institutions – feeling hemmed in by the old restrictions on interest payments, on product lines and on the geographic scope of their operations – stepped up their efforts to garner new sources of funds and to find new investment outlets. These firms utilized technological innovations, like electronic funds transfer, and a variety of legal devices to circumvent prevailing regulatory boundaries (Eisenbies, 1981; Kane, 1981). With rival firms invading one another's presumably walled-off turfs, the traditional partitions separating the various segments of the financial industry began to crumble.

This had a number of effects. Competition among financial firms became even stiffer as deposit rate increased, institutions stayed open longer, offered additional services or other inducements, and utilized the new technologies (Stone, 1981). Regulatory conflicts also increased. Large firms demanded that regulatory bodies ease prevailing restrictions so that they could compete more effectively, while smaller ones fought to keep existing protections firmly in place. Generally speaking, the response of the various regulatory bodies was to acquiesce to pressure from their largest and most aggressive clients. Failing to compete and unable to achieve favourable regulatory rulings, small financial firms eventually turned to the courts. The volume of litigation in financial regulation skyrocketed. Finally, in an April 1979 ruling, the US Court of Appeals for the District of Columbia handed down an ultimatum. It ruled that three of the major regulatory bodies had overstepped their authority, and gave Congress until 1 January 1980 to develop new financial legislation or a number of regulatory rulings would be overturned.[8]

In September, the House passed the Consumer Checking Account Equity Act which simply reauthorized jeopardized by the Court. The Senate responded, in November, with a broad deregulation bill, the Depository Institutions Act of 1979, which called for a 10 year phaseout of existing deposit rate ceilings and a significant expansion of thrift powers. Intense political conflict between small and large financial institutions factions precluded passage of this broad deregulation measure. The House and Senate then agreed to a compromise which authorized the practices jeopardized by the Court and which temporarily held the prevailing system of deposit ceilings in force.

2 *The new monetarism*

If domestic financial problems sowed the seeds of a regulatory collapse, developments on the international front created the crisis situation in which new legislation could be enacted. During the 1970s, European and Japanese banks began to break the hegemony of American firms in international financial markets. Between

[8]The Court's ban was aimed at three regulatory bodies: the Fed which had authorized the automatic transfer of funds from checking to savings accounts, the FHLBB which authorized the establishment of remote branches for thrifts, and the National Credit Union Administration (NCUA) which authorized the issuance of share drafts, which are essentially checking accounts, for credit unions. See Colton (1980) and Stone (1981). Around the same time, the Carter administration's Task Force on Regulation Q recommended immediate deposit decontrol.

1962 and 1977, the assets of foreign banks increased at four times the pace of their American counterparts. The Eurocurrency market ballooned from $150 billion in 1970 to $1.4 trillion by 1980.[9] The rapid rise of European and Japanese banking not only diminished the market position held by American banks, it critically affected earnings as well. Between 1975 and 1979, the average mark-up on foreign loans was cut in half, falling from 1.68% to .87% (Crane and Hayes, 1983). For the 10 largest US banks, the share of total earnings derived from foreign activities, which had grown from 17.5% in 1970 to 51.5% in 1975, slipped to 42.6% in 1979 (Guttentag and Herring, 1981).

Steadily mounting foreign competition and accelerating domestic inflation combined to seriously undercut the international value of the dollar (Figure 1).

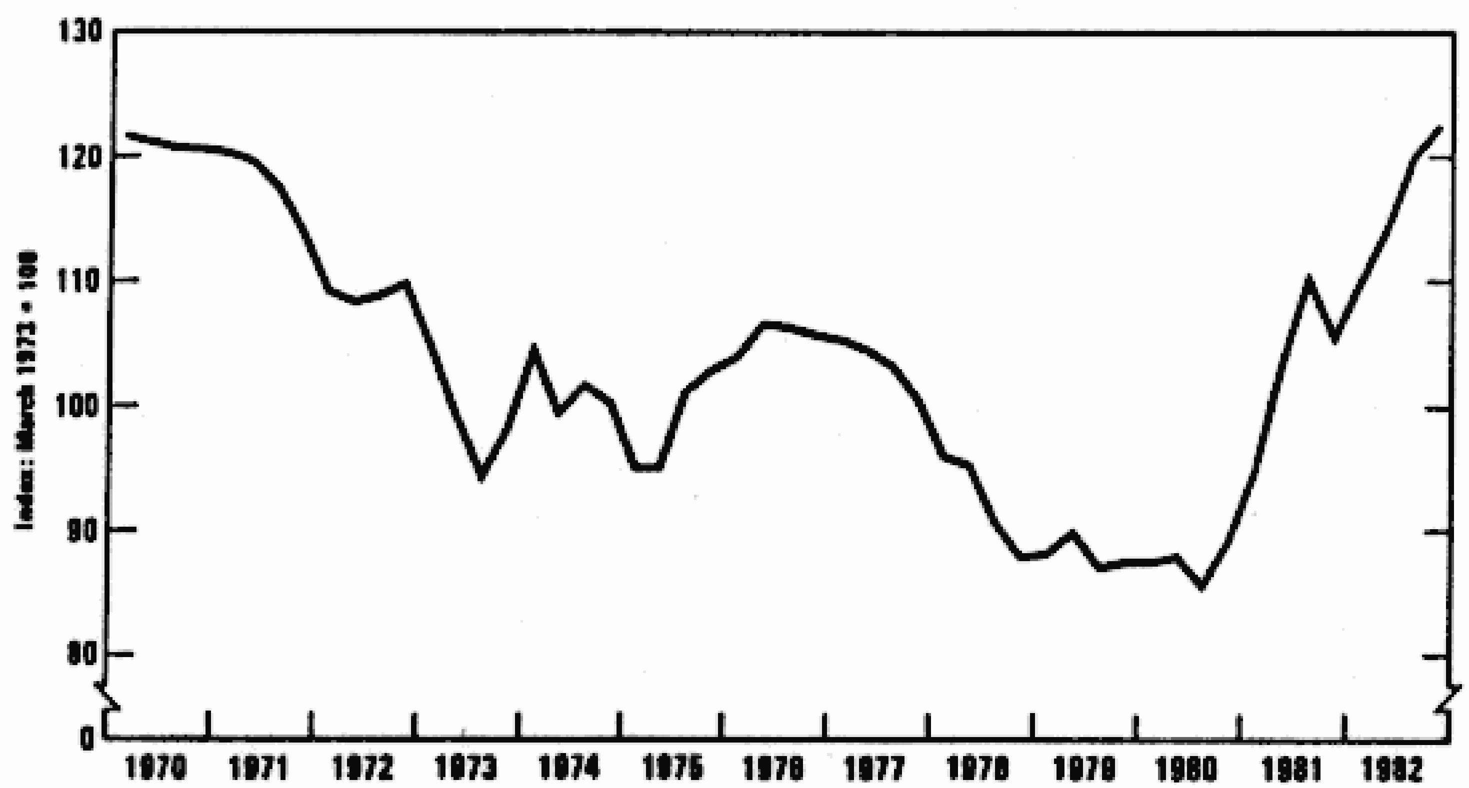

Figure 1 Value of the dollar against other currencies, 1970–82.
Source: US Congress, Congressional Budget Office, *The outlook for economic recovery* (February 1983).

Central banks and foreign investors rapidly began replacing their dollar holdings with other currencies. In 1973, over 85% of all central bank holdings were in dollars, with only 6% in marks and virtually none in yen. By 1978, these figures had changed to 78%, 12% and 4% respectively. Over the same period, the share of OPEC deposits going to US banks declined from 42% to 36% (Williams, 1981). Between

[9]In 1980, only five US banks ranked among the world's 50 largest, Bank of America, Citicorp, Chase Manhattan, Manufacturers Hanover and J.P. Morgan. The rest, by country of origin, break down as follows: Japan (15), West Germany (6), UK (5), US (5), France (4), Canada (4) and Switzerland (4), with the remainder being scattered among Italy, the Netherlands and Hong Kong. See Crane and Hayes (1983).

September 1977 and September 1978, the dollar fell by 56% against the Swiss franc, 42% against the yen and 19% against the mark.

In late 1978, big commercial banks stepped up their pressure for government intervention to protect the dollar. Within a year, Carter had reshuffled his cabinet and embarked on a major shift in monetary policy.[10] With Paul Voker installed as Chairman, the Federal Reserve Board initiated a staunch dollar defence by jacking up interest rates and installing a series of draconian credit controls (Epstein, 1981). The Fed's monetarist strategy ultimately worked to reinvigorate both the value of the dollar (Figure 1) and the sagging profits of large US banks. High interest rates attracted foreign money to dollar-denominated assets. From mid-1980 to early 1982, the dollar rose by 30% against the mark and pound, 50% against the franc and more than 10% against the yen (Moffitt, 1983). Between 1978 and 1981, the dollar share of the Eurobond market increased from 49% to 86%.

The price for success in the international banking front was paid at home. High interest rates helped to induce a severe domestic recession. Credit sensitive domestic industries were hurt badly; the thrift industry and housing sector took especially brutal beatings.

IV The new financial regulation

The urgency of the dollar crisis and a standing court ultimatum hastened the development of new financial legislation. In late winter 1980, the House and Senate Banking Committees set up a Conference Committee[11] to work on the limited House bill from 1979. This was clearly not enough for big commercial banks who argued that full-scale deregulation was necessary to help reestablish the international position of the U.S. financial system. The various trade associations dominated by the large banks – the Association of Bank Holding Companies, the Dealer Bank Association and the Consumer Bank Association – pressed hard for a comprehensive deregulation measure, an alternative which received strong support from the Carter administration. Within the Conference Committee itself, the big bank's agenda was forcibly advanced by Senator Proxmire, Chairman of the Senate Banking Committee and Senator Garn, head of the very influential Subcommittee on Financial Regulation – the latter of whom had garnered substantial funds from numerous bank political action committees or PACs (Golembe, 1980).[12] The ability for big banks to influence the Conference Committee was made substantially easier due to the fact that Henry Reuss had replaced Wright Patman as Chairman of the House Banking Committee. Reuss had only limited experience in the banking area and, like Garn, was the recipient of sizeable funds from bank PACs.[13] He was thus considerably more amenable to deregulation than his predecessor.

For large financial interests, shaping policy at the Conference Committee stage was a crafty political strategy. A deregulation bill would certainly have encountered some opposition on the House Banking Committee where small and medium-sized financial firms retained considerable influence. But, because the bill was assembled in Conference, the House Banking Committee could be avoided entirely: only a final vote of the whole House was needed for passage.

The bill that eventually emerged from the Conference Committee – the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) of 1980 – was a broad deregulation measure (Golembe, 1980). It included provisions for deposit rate decontrol and thrift diversification along with others enhancing the regulatory power of the Fed. Once this bill came to a vote of the entire legislature, the ability of small firms to generate effective opposition was sorely limited. On the one hand, it had the backing of some of the most powerful interests in American politics. On the other hand, the positions of small financial institutions on deregulation were far from unified. The small banks – represented by the International Bankers Association of America (IBAA) – adamantly opposed both deposit decontrol and increased thrift powers; their concern being increased competition from big banks and thrifts. The thrift industry, in turn, fractured along size lines precluding the emergence of a unified antideregulation coalition. The small thrifts, fearful of increased competition, sided with the IBAA in opposing this provision, while the larger ones backed it as a way both to expand their asset base and diversify their loan portfolios. The sharp division in the thrift industry, prompted this telling comment from one industry representative:

[10] Only after a number of early efforts to stabilize the currency failed (Moffitt, 1983) did Carter begin to replace members of his cabinet. In the midst of a potentially devastating run on the dollar, Carter offered the Treasury post to David Rockefeller (Chase Manhattan), Robert Roosa (Brown Brothers Harriman) and A.W. Clausen (Bank of America). When all three refused, Federal Reserve Chairman G. William Miller was shifted to Treasury, where he replaced Michael Blumenthal. Miller was a former board director of a number of large corporations, a member of the ultra-elite Business Roundtable, and the past President of the Federal Reserve Bank of Boston, which pioneered the NOW account enabling depository institutions in New England to offer interest on checking accounts, a practice banned by federal regulations. On the recommendations of a number of commercial bankers, including Rockefeller, Paul Volcker – head of the New York Fed, former Under-Secretary of Treasury under Nixon and a Chase Manhattan alumnus was brought in to head the Federal Reserve. See Ferguson and Rogers (1978; 1981), Epstein (1981) and Moffitt (1983).

[11] A Conference Committee consists of representatives of both the House and Senate who work to develop a bill that is amenable to both houses of the legislature. For more on the politics of this particular Conference see Golembe (1980), Ferguson and Rogers (1981) and Florida (1985).

[12] In 1980, Garn's contributions from large banks totalled $22 300, with another $10 200 coming from large thrifts, $12 900 from a variety of large diversified financial firms and $31 750 from housing and real estate interests – a whopping $75 550 total. Because of his efforts on behalf of financial deregulation Garn's support from real estate PACs dwindled to just $5050 in 1982, although large financial institutions provided $16 500. While Proxmire does not take PAC funds, Golembe (1980) provides ample documentation of his efforts on behalf of deposit deregulation. A statistical analysis of the effect of real estate PAC contributions on legislation is presented in Johnson (1983).

[13] Reuss's 1980 PAC contributions from financial institutions totalled more than $25 000 with another $5000 coming from real estate interests. He did not run in 1982.

> The division in the savings and loan industry was, and is, very deep over this legislation. Some of us want consumer loans, and others don't. Some of us want NOW accounts and others don't. Some of us want elimination of rate control, while others want to keep it.[14]

The big banks helped to provoke this split by conceding a host of banking powers to the large thrifts in return for their support on the crucial deposit deconttrol issue. Eventually, the major trade association of the thrift industry, the US League of Savings Associations, gave its tacit support to this bill, and Congressional approval swung behind it. In short, a powerful coalition of big commercial banks and large thrifts, backed by their natural allies at the Fed, the Treasury and the administration pushed DIDMCA through Congress in the face of vehement opposition from small banks, the bulk of the thrift industry and the real estate lobby.

1 *The Depository Institutions Deregulation and Monetary Control Act*

DIDMCA initiated the processes of deposit decontrol and financial deregulation (Cargill and Garcia, 1982). It eliminated many of the regulatory barriers separating thrifts and banks. Thrifts were empowered to issue consumer loans, commercial paper, education loans and credit cards and were thus allowed to diversify out of mortgage finance. Steps were taken to phaseout prevailing deposit ceilings and the existing thrift differential. To this end, the Depository Institutions Deregulation Committee was set up. this body was chaired by the Treasury Secretary and included the heads of the major financial regulatory agencies. In one of its first meetings, this new superagency clearly established the priority of comprehensive deposit decontrol over the interests of particular segments of the financial industry. A push led by the small thrifts to reestablish deposit-rate differentials on rate sensitive accounts was stoutly refused. The Committee then created a number of high-yielding deposit instruments long sought after by large institutions (Tuccillo, 1984).[15]

[14] Quote from Arthur Townsmeire Jr, analyst for the National Savings and Loan League. Former Senator Thomas McIntyre, a longtime proponent of financial deregulation, also points out this division in the thrift industry. 'The American Bankers Association ruled the day in the 94th Congress because the saving and loan industry was conspicuous in its absence to say what it wanted. In many ways, it seems that the AFL-CIO and the home builders had more to say about what was best for the S&L's, than the S&L's themselves did'. Both quotes as cited in Colton (1980). My discussion of the politics of DIDMCA is based on a variety of sources. Especially, US Congress, Senate (1979a; 1979b). House (1979a; 1980) and *Savings and Loan News* (various issues 1979–80). See also, Congressional Quarterly, *Yearly Almanac* (1980. 1981) and Wines (1982) which provide brief summaries.

[15] The first of these was the All Savers Certificate which carried a rate return equal to 70% of the prevailing T-bill rate, with three quarters of the funds so generated earmarked for the housing sector. The second was the Individual Retirement Account (IRA) which carried a market interest rate and a double tax sweetener – the first $2000 placed in such an account wa was tax deductible and the interest earned was tax exempt. The IRA was far more successful than the All Savers. In its first year, it drew nearly $20 billion into the thrift industry. See Tuccillo (1984).

2 *Housing finance under Reagan*

The election of Ronald Reagan brought an even stronger commitment to protecting the international and domestic interests of large commercial banks. During his first term, monetary policy remained very restrictive with financial deregulation proceeding apace. The general contours of the Reagan plan were laid bare by one of its prime architects, OMB Director David Stockman, who cogently outlined the primacy of international finance over domestic recovery or housing investment (Stockman, 1980).

> President Reagan should meet with Volker and the entire Federal Reserve Board at an early date and issue them an informal charter – namely, to eschew all considerations of extraneous economic variables like short-term interest rates, housing market conditions, business cycle fluctuations, etc., and to concentrate instead on one exclusive task: . . . stabilization of the international and domestic purchasing power of the dollar. The President and Congress would jointly take responsibility for ameliorating credit and capital markets . . . and would stoutly defend the Fed from all political attacks. Insulation of the Fed from extraneous economic and fiscal preoccupations, political pressures, recalibration of its monetary objectives, and restoration of its tattered credibility is the lynch pin of the whole program.

The monetarist initiative of early 1980s brought the housing boomlet of the late 1970s to a crashing halt. Here, the combination of high rates, escalating financial competition and deposit deregulation was deadly. With deposit growth limited to rate sensitive accounts, the thrifts began paying substantially more for funds than they were getting from old loans. In 1982, the cost of funds for the thrift industry exceeded 12% while return on portfolio was around 11% (Carron, 1982). In both 1981 and 1982, the industry lost in the range of $5 billion annually. Over three quarters of all firms, accounting for more than 90% of all industry assets, operated in the red (Vrabac, 1982). FHLBB advances of approximately $60 billion annually were called in to bail out the thrifts (Carron, 1983b). Between 1980 and 1983, more than 1000 troubled institutions were merged (Gould, 1984). Housing investment declined from $122.8 billion in 1979 to under $60 billion in 1982. The percentage of GNP devoted to residential investment fell from 5.15% to 1.71%. Housing production tumbled from over 2 million units to less than 1 million units (Browne, 1982; Freund 1983). Unemployment in the building and construction trades hit 25%.

In 1981, the real estate lobby stepped up its political efforts on behalf of housing, allying with the National Association of Automobile Dealers in a public campaign against monetarism. Labelled 'unlock the economy', this campaign stressed the debilitating effects of tight money on the housing sector and raised serious questions concerning the efficacy of the administration's monetary policy goals. Farther to the left of the political spectrum, the AFL-CIO suggested placing strict controls on the allocation of housing credit.[16] The Reagan administration's response to this was politically disarming. Quickly, the issue of restrictive monetary policy was transformed into a blatant conflict between housing and reindus-

[16] This information has been culled from US Congress, House (1981a).

trialization. Top administration officials argued that housing had consumed too much capital at the expense of more fruitful investment in industrial revitalization. In testimony to the House Banking Committee, Treasury Secretary Donald Regan and members of the Council of Economic Advisors stressed the need for tight money regardless of the costs in terms of housing production. OMB Director Stockman cited federal mortgage insurance and government secondary market operations as expendable 'welfare state' programmes.[17] The President's Commission on Housing reinforced these notions. In its 1982 report, the Commission unequivocably recommended the elimination of the specialized system of mortgage lenders, preferring to let housing compete for capital in national financial markets (President's Commission on Housing, 1982; Colton and Seiders, 1982). In the throes of the greatest housing crisis since the great depression, the Reagan administration never hesitated to emphasize the subordinant position of housing relative to other policy goals.

In this political climate,the FHLBB began implementing its own deregulatory agenda.[18] Under pressure from large thrifts, it empowered institutions to set up branches and to acquire troubled firms in different states. Thrifts were allowed to expand their operations to include stock brokerage, investment counselling and correspondent services (Vartanian, 1983a). The FHLBB also deregulated the mortgage instrument, enabling thrifts to issue variable rate and balloon mortgages as well as conventional loans (Loeys, 1983). Finally, the Board actively promoted a merger policy as the way to deal with troubled institutions, and refused to seriously consider the programme of temporary capital assistance sought by small firms. Taken together, these actions helped to shape the drastic consolidation of the housing finance sector.

3 *Garn-St Germain Depository Institutions Act of 1982*

The thrift crisis of the early 1980s paved the way for a second deregulatory bill, the Garn-St Germain Act of 1982 (Vartanian, 1983b).[19] This was a compromise bill with separate provisions aimed at different types of financial institutions. Banks and thrifts were empowered to issue high yielding accounts directly comparable to

[17] This testimony is contained in US Congress, House (1981a).

[18] The architect of the FHLBBs deregulatory efforts was Richard Pratt who was then Director of the Bank Board. He was the former chief economist for the US Savings and Loan League and was championed for his post at the FHLBB by Senator Jake Garn an avid proponent of deregulation. While Pratt's deregulatory efforts incurred the wrath of many small thrifts, he was admired by the *Wall Street Journal* as a 'Darwinian regulator'. He has recently assumed a high ranking post at Marrill Lynch.

[19] I have culled this discussion of the politics of the Garn-St Germain Act from a wide range of material. Especially, US Congress, Senate (1981a; 1981b; 1982a; 1982b); House (1981a; 1981b). For brief overviews, see the journalistic reports appearing in *Congressional Quarterly Weekly* – Tate (1981a; 1981b; 1982), Fessler (1982) and Granat (1982) – as well as the *National Journal*, Brownstein (1983a; 1983b).

money market funds; and the timetable for the phaseout of ceilings on time and savings deposits was accelerated. This process culminated in January 1983 with the introduction of 'superNOW' accounts, which are checking accounts carrying variable interest rates. The remaining restrictions on branching and chartering were eliminated allowing thrifts to export their capital at will. Thrifts were empowered to put up to 90% of their assets in commercial investments. Although small thrifts and banks opposed each of these measures, other provisions were crafted to garner their support. Reeling from record high interest rates, small thrifts came on board behind a programme of temporary capital assistance. These firms also backed the establishment of a coherent set of merger guidelines which limited the discretion of the FHLBB in selecting merger partners. Finally, small banks supported the rescinding of the existing thrift deposit rate differential.

4 *Privatization of the secondary mortgage market*

For the Reagan administration, the final element in the reorganization of the housing finance system has been the privatization of the secondary mortgage market. In 1982, the President's Commission on Housing recommended that the special tax and regulatory advantages that accrue to the quasi-public agencies that comprise the secondary market – the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) – be eliminated, with their functions transferred to private corporations. It also suggested that the subsidized operations of the Government National Mortgage Association (GNMA), which buys and sells federally-supported mortgages, be entirely phased out (Colton and Seiders, 1982).

Over the past few years, the administration has vigorously pursued this agenda. Federal outlays for GNMA secondary market activities and government mortgage insurance have been slashed, and a host of regulatory barriers inhibiting the development of private secondary market operations have been eliminated (Tuccillo, 1984). All that remains necessary is to effect changes in the tax code which reduce tax liability and hence increase the attractiveness of private mortgage-backed securities. Indeed, a number of private secondary market operations have already been set up. In 1982, Norwest Banc Corporation established its Residential Funding Corporation (RFC) which purchases pools of mortgages that are marketed by Salomon Bros and insured by the Mortgage Guarantee Insurance Corporation (MGIC), the nation's largest private mortgage insurer.

V The reorganization of the housing finance system

The overriding consequence of such an aggressive deregulatory policy has been the sweeping reorganization of the housing finance system.[20] The past few years have

[20] See the collection of papers on the reorganization of housing finance presented in Florida (1985).

witnessed a tremendous reduction in the number of specialized mortgage lending institutions. Many small institutions have been gobbled up by larger thrifts. Home Savings (California), the biggest thrift in the country, has acquired nine thrifts with branches in the midwest and south. Empire Savings of Buffalo has acquired a nationwide network of thrifts as well as a securities dealership and a real estate brokerage. Many other thrifts have been acquired by banks, insurance companies or diversified financial firms and have been transformed in mortgage banking conduits for these conglomerates. Citicorp has added thrifts in California and Florida to its extensive financial empire. Sears and Roebuck, the nation's largest retailer, has purchased a group of thrifts, adding them to its burgeoning financial network which includes an insurance company, a discount brokerage, a consumer finance corporation and a host of commercial banks. These kinds of acquisitions enable large financial firms to circumvent restrictions on interstate branching, and hence to increase their lending and deposit markets. Today, the thrift industry is characterized by fewer and larger institutions that are moving progressively away from mortgage finance.

The restructuring of the thrift industry has a number of important implications for the provision of housing credit. Table 1 details the basic trends. Just five years ago, residential mortgages comprised about 80% of thrift industry assets; in 1983, such loans made up only 64% of total assets. Due to diversification, nearly all new asset growth for the thrifts is attributable to non-mortgage investments. Mortgage portfolios grew by less than 7% between 1979 and 1983 compared to a staggering 170% growth rate for non-residential investment. Indeed, residential investments currently comprise a meagre 10% of new asset growth, compared to an 80% share just a few years ago. Moreover, in recent years, the thrift share of total mortgage lending has declined significantly. Until the late 1970s, the thrifts provided nearly three quarters of all mortgage originations. By the early 1980s, this had dwindled to just one fifth of new residential credit.

The secondary mortgage market has thus assumed a crucial role in the provision of housing credit by default. Today, nearly all new mortgage loans are being turned over on the secondary market. This is a significant increase from the mid-1970s when only a third of all mortgages were so traded (Miles, 1983; McNulty, 1984). Table 2 provides data on flows of mortgage credit within the secondary mortgage market. Here, it should be noted that these data represent all trading activity – including both new and existing mortgages – and as such do not represent newly generated mortgage credit (Villani, 1984).[21] Despite recent attempts at privatization, quasi-public agencies remain the major secondary market purchasers of mortgages. These agencies facilitated approximately 90% of all secondary market activity in 1982 and 1983. Of course, the objective of the secondary market is to redistribute mortgages to a diverse group of investors. However, recent trends reveal only slight changes in the ultimate holders of the mortgage debt. In 1982, thrifts purchased more than 40% of all mortgages traded on the secondary market ($46.3

[21] For more on the derivation of this complex data set see Villani (1984).

Table 1 Trends in mortgages as a share of total assets at thrifts, 1960–82

	Total assets	Mortgages	Asset distribution: Cash and investments	Other assets	All other than mortgages	Percent mortgages
1960	$ 71.5	$ 60.1	$ 7.9	$ 3.5	$ 11.4	88.4%
1965	129.6	110.3	12.1	7.2	19.3	85.1%
1970	176.2	150.3	16.5	9.3	25.8	85.3%
1975	331.2	278.6	30.0	28.7	58.7	88.2%
1976	391.9	323.0	35.7	33.2	68.9	82.4%
1977	459.2	381.2	39.2	38.9	78.1	83.0%
1978	523.6	432.9	44.9	45.9	90.8	82.7%
1979	579.0	475.7	46.3	56.9	103.2	82.2%
1980	630.7	503.2	57.9	69.6	127.5	79.8%
1981	664.2	518 2	63.1	82.5	145.6	78.1%
1982	706.1	482.2	84.8	139.0	223.8	68.3%
1983	771.7	493.4	–	–	278.3	63.9%

Mortgages as a share of asset growth

	Total assets	Mortgages	All other assets	Mortgages as % of new asset growth
1960–64	$ 58.1 (81.3)	$ 50.2 (83.5)	$ 7.9 (69.2)	86.4%
1965–69	46.1 (36.0)	40.0 (36.3)	6.5 (33.7)	85.8%
1970–74	62.0 (91.9)	128.3 (85.4)	13.5 (81.8)	79.2%
1974–79	240.8 (22.0)	197.1 (70.7)	44.5 (75.8)	81.8%
1979–83	192.7 (33.2)	17.7 (3.7)	175.1 (169.7)	9.2%

Note: Number in parentheses represent growth rate expressed in percentages.
Sources: Federal Home Loan Bank Board; US League of Savings Institutions, *1984 savings institutions sourcebook* (Chicago, 1985)

billion). Commercial banks accounted for the lion's share of the rest, around $32 billion or nearly 20%. Insurance companies and pensions funds made up less than 15% of all secondary market purchases ($16.4 billion). Taken together, all financial institutions other than thrifts acauired just $67.6 billion in mortgage investments in 1982. It remains highly unlikely that a privatized secondary market can compensate for the substantial reduction in mortgage lending activity by the thrifts.

Such developments imply a tremendous shortage of capital for housing. Table 3 presents forecasts of the housing credit 'gap', which have been derived from MIT-Harvard projections of housing need (Christian and Wilson, 1984). By the late 1980s, the cumulative shortfall is projected to reach more than $130 billion – an

Table 2 Secondary mortgage market activity, 1982 (billions)

Thrifts	Banks	Mortgage bankers	Life insurance	Pension funds	Federal agencies[1]	State/ local	Others[2]	Total
Sales of mortgage loans[3]								
$54.7	$ 7.9	$29.3	$ 0.2	$ 0.1	$ 3.6	0	0	$ 75.9
57.0%	8.2%	30.6%	0.2%	0.1%	3.8%	0	0	100.0%
Purchases of mortgage loans[3]								
$22.2	$ 2.2	$ 4.9	$ 0.3	$ 1.3	$65.9	$ 2.9	0	$ 99.8
22.2%	2.2%	4.9%	0.3%	1.3	65.9%	2.9%	0	100.0%
Issues of mortgage-related securities[4]								
0	0	0	0	0	$69.2	$ 5.1	$ 1.6	$ 75.9
0	0	0	0	0	91.2%	6.7%	2.1%	100.0%
Net acquisition of mortgage loans								
$10.0	$21.1	0	$ 1.0	$ 1.3	0	0	$ 4.5	$ 39.0
26.3%	55.8%	0	2.6%	3.4%	0	0	11.8%	100.0%
Net redistribution of mortgage debt								
$46.3	$32.4	0	$ 4.2	$12.2	0	0	$18.7	$113.9
40.7%	28.5%	0	3.7%	10.7%	0	0	16.4%	100.0%

Notes: [1] Federal agencies include FNMA, FHLMC and GNMA.
[2] Others include households and corporations.
[3] Sales and purchases of mortgage loans do not distinguish between new and existing mortgages.
[4] Mortgage-related securities are pools of mortgages that are sold as securities by FNMA, FHLMC and GNMA.
Source: Villani, 1984.

Table 3 Projected housing credit gap, 1984–88 (billions)

	Credit required	Credit supplied	Credit gap
1984	$167.0	$137.5	$ 30.5
1985	180.2	149.6	30.6
1986	192.9	162.6	30.4
1987	206.2	179.7	26.5
1988	220.1	207.8	12.3
		Cumulative housing credit gap	$130.3

Source: Christian and Wilson, 1984.

amount which exceeds the previous annual record for housing credit formation. The new housing finance system thus appears incapable of providing the level of resources necessary to meet emerging housing needs.

Finally, there is little evidence that the new system will have any moderating

effect on housing cycles. As historical research on housing finance points out, the housing cycles of the early twentieth century, the boom excesses of the 1920s and the housing investment collapse of the 1930s all provide strong evidence of extreme volatility in an unregulated environment (Grebler, 1981; 1983).

VI Conclusions

Recent changes in regulatory policy have resulted in a dramatic restructuring of housing finance in the United States. More than two decades after the Commission on Money and Credit and a decade since the Hunt Commission, large financial interests have finally succeeded in implementing their preferred version of financial deregulation. Backed by the Carter and Reagan administrations, their Treasury Departments, and the major financial regulatory agencies, a coalition of big banks and large thrifts has been able to overwhelm the tremendous opposition of small financial firms, the real estate lobby and the construction trades. Deregulation stands witness to the enormous power and perseverance of tis coalition in the financial policy arena.

A number of more general conclusions regarding the political economy of financial policy emerge from this historical overview. Large financial firms clearly exert considerable influence at the high levels of American politics. Such firms maintain a vast array of contacts with presidential administrations, key bureaucrats, congressional officials and regulators. There is a steady circulation of their personnel into the major financial regulatory bodies as well as the Treasury department.[22] In Congress, large banks are active through a wide range of trade associations and their respective PACs which make sizeable cash contributions to legislators. And, top banking officials are significantly overrepresented on the numerous advisory bodies and task forces, such as the Hunt Commission, that concretely set the agenda of financial policy.

The situation of small financial firms is quite different. They possess little influence at the pinnacles of political power. Instead, they are active in the Congress, especially the House, where the bulk of their political investments are concentrated. Not surprisingly, this is where most of the opposition to deregulation has emerged. But, because competition among small financial firms is quite fierce, their unified interest in retaining regulatory protections can at times break down. Large financial firms help this process along by extending compromises or even subsidies to particular factions of the small business sector. The ability of big banks to fragment opposing coalitions has been crucial to the implementation of their deregulatory agenda.

Perhaps most significantly, deregulation has transformed the nature and

[22] Of the past 11 officials to hold the post of Treasury Secretary, eight have been directly tied to large banks and financial institutions. The pattern for the financial regulatory bodies is very similar. For a much fuller elaboration of these points see Florida (1985).

functions that housing finance plays in the broader political economy. At least under the New Deal system, federal regulations served to guarantee a reasonable share of capital for housing. Deregulation undercuts these very provision shelters. Housing finance now takes place within the general structure of domestic financial markets. The allocation of housing credit is left to private institutions which channel funds to those sectors where risks are minimized and rates of return relatively high. Such developments provide a strong indictment of the structure of capital allocation in the American political economy. In contrast to trends witnessed throughout much of western Europe and Japan – where public sector involvement in housing finance is the norm – powerful financial institutions in the US have effectively kept the state outside the process for allocating credit (Ferguson, 1984; Zysman, 1983). But, recent developments, such as the declining position of American banks in international finance, the third world debt squeeze and the burgeoning problems of the domestic banking system, may imply greater state intervention in the future (Florida, 1984). If this is the case, crucial political decisions involving the allocation of capital – made elsewhere during the 1930s and 1940s (Zysman, 1983) – are likely to confront American politics in the late 1980s.

The bleak future of housing finance in the United States is likely to affect this broad issue. The high real costs of credit, financial deregulation and the structure of the capital markets appear to dictate a prolonged shift away from housing investment. Depressed levels of housing production will generate enormous market pressures as tight housing markets drive up shelter costs and rents. Popular political pressure for housing assistance is likely to mount, and to increasingly register itself both within American electoral politics and outside its bounds. A series of mass-based initiatives around housing issues hold out the possibility for recasting the political discourse over questions of housing finance in terms of satisfying housing needs. Without such pressure from the bottom levels of the American political structure, the supply of housing credit will remain bankers' business. Housing for the bulk of the American people will decrease in quality and increase in cost.

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Cet article examine les progrès récents réalisés dans la restructuration du financement immobilier aux Etats-Unis. La première partie étudie les caractéristiques fondamentales du système de financement immobilier établi dans les années 30. La deuxième partie met en valeur l'échec de cette structure sous la pression combinée de l'accroissement de la compétition financière nationale et internationale. La partie suivante présente une analyse détaillée des réglementations financières. Enfin, l'article considère la réorganisation récente du système et ses conséquences sur les investissements immobiliers, la construction et le coût des logements.

Die vorliegende Abhandlung ist eine kritische Betrachtung jüngster Entwicklungen in den Vereinigten Staaten, die sich bei der Neuordnung des Wohnungsbaufinanzierungswesens angezeichnet haben. Im ersten Teil werden die grundlegenden Züge des Wohnungsbaufinanzierungssystems untersucht, wie es in den 30er Jahren entwickelt wurde. Der zweite Teil behandelt in Umrissen den Zusammenbruch des Systems unter dem doppelten Druck eines härteren Wettbewerbs sowohl auf den inländischen als auch auf den ausländischen Finanzmärkten. Der nächste Teil gibt eine detaillierte Beschreibung der neuen Finanzbestimmungen. Abschließend werden die jüngste Neustrukturierung dieses Systems und ihre Auswirkung auf Investition, Produktion und Erschwinglichkeit betrachtet.

Esta ponencia examina evoluciones recientes en la reestructuración de la financiación de la vivienda en los Estados Unidos. La primera sección examina los perfiles básicos del sistema de financiación de la vivienda establecido en los años 1930. La segunda sección bosqueja el fracaso de este marco bajo las dos presiones simultáneas de mayor competencia financiera doméstica e internacional. La próxima sección presenta un análisis detallado de los nuevos reglamentos financieros. Finalmente, la ponencia considera la reciente reorganización de este sistema y su impacto en la inversión, producción y precios de la vivienda.